IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1977

No. 77-1628

CELEBRITY, INC.,

Petitioner,

v.

A & B INSTRUMENT COMPANY, INC. and
MID-AMERICA SALES AND MARKETING, INC.,

Respondents.

BRIEF OF MID-AMERICA SALES AND MARKETING, INC. IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

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STATEMENT OF THE CASE

The statement of the case as set forth in the Petition for Writ of Certiorari is sufficient for respondent Mid-America Sales and Marketing, Inc., insofar as it does not conflict with comments and arguments hereinafter set forth.

REASONS FOR DENYING THE PETITION

The respondent respectfully prays that the Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit be denied for the reasons set forth below.

1. This Case Presents No Constitutional or Important Federal Questions Calling for Resolution by the Supreme Court.

All questions of patent validity and infringement are necessarily Constitutional questions because patents are granted under the provisions of Article I, §8, cl. 8. In addition, the grant of exclusive jurisdiction in such cases to the federal judiciary, 28 U.S.C. §1338, gives rise to questions of federal law. However, the particular claims advanced by the Petitioner with regard to standards of patentability, the division of tasks between judge and jury, and the award of damages and attorneys fees raise no issues upon which the law is not clear. Petitioner also has not alleged any difference of opinion or practice among the federal circuits on any point of law, the resolution of which would affect the result in the instant case. Rather, the trial court below duly applied the law as the Supreme Court and the federal courts have enunciated that law. Much of the Petitioner's challenge to the decision in the trial court stems not so much from any claim that the law was not properly applied there but from dissatisfaction with the result of its proper application. As to the remainder of its challenge, relating to questions of abuse of discretion, we believe the record at trial and judgment amply supports the view that the law was faithfully respected and discretion was justly exercised.

2. The Court of Appeals acted in accordance with applicable Supreme Court decisions in affirming the decision of the District Court.

The Petitioner claims that under the holdings in *Gorham Company v. White,* 81 U.S. 511 (1871), and *Smith v. Whitman Saddle Co.,* 148 U.S. 674 (1893), the Barber Design Patent No. 203,251 should have been found unpatentable as being purely functional and without ornamentality. While we concur with Petitioner's understanding of the rule in these cases, we cannot agree with its conclusion as to the patentability of the patent in suit. Respondents' "Rest Easy" pillow possesses an attractiveness and uniqueness of design sufficient for patentability under *Gorham, supra,* and any functional attributes it may also poss ss do not preclude patentability. It is not purely functional as Petitioner asserts. The District Court jury, upon proper instruction from the trial judge (A-22, 23; all references designated "A" will be to the Appendix to the Petition for Writ of Certiorari), and with the specific admonition not to consider the functional features of the pillow in determining ornamentality, found the design of the pillow to be novel, ornamental and nonobvious (A-23).

Petitioner's claim that the ruling in *Graham v. John Deere Co.,* 383 U.S. 1 (1966), was not applied by the District Court in determining the validity of the Barber patent, is wholly without foundation. The jury was explicitly instructed on the nonobviousness standard of 35 U.S.C. §103 and the criteria by which to apply that standard, as set forth in *Graham, supra,* and as reaffirmed in *Dann v. Johnston,* 425 U.S. 219 (1976), and *Sakraida v. Ag Pro, Inc.,* 425 U.S. 273 (1976) (A-23). The findings of the jury with respect to validity, anticipation and obviousness, as embodied in their verdict for the defend-

ant below, A & B Instrument Company, Inc. (A-11) are clearly supported by the evidence adduced at trial. The Court of Appeals reasonably concluded that the findings of the jury were made upon instructions comporting with the applicable law (A-3), and were not clearly erroneous (A-4). Fed.R.Civ.P. 52(a) therefore requires that they not be set aside on review.

With respect to the issue of patent validity, we agree with the Petitioner that the ultimate question is indeed one of law. *Graham, supra.* However, as noted in a case cited by the Petitioner for the rule that the court must determine validity even in a jury trial, *Swofford v. B & W, Inc.,* 395 F.2d 362 (5th Cir. 1968), cert. denied 393 U.S. 935, reh. denied 393 U.S. 1060, "novelty" and "utility" are "clearly issues of fact", 395 F.2d., at 364, and as the Supreme Court stated in *Graham, supra,*

> the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under §103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or non-obviousness of the subject matter is determined. 383 U.S., at 17.

The requisite factual inquiries were made by the jury upon proper instruction (A-22,23). Petitioner's assertion that such inquiry constitutes an abdication of the court's responsibility to determine validity as a matter of law, because unaccompanied by an explicit pronouncement of the trial judge as to validity, is entirely specious. The formulation of issues for the jury is within the discretion of the trial judge. *Norfolk Southern Ry. Co. v. Davis Frozen Foods,* 195 F.2d. 662, 666 (4th Cir. 1952). Further,

issues presenting mixed questions of fact and law can be presented to the jury if it is instructed on the applicable legal standards. *Tights, Inc. v. Acme-McCrary Corp.,* 541 F.2d. 1047, 1060 (4th Cir. 1976), cert. denied 429 U.S. 980, citing *Scott v. Isbrandtsen Company, Inc.,* 327 F.2d. 113 (4th Cir. 1964). The trial judge acted within his discretion in instructing the jury to make the factual inquiries underlying patent validity and, if they should find such validity, to then determine if the patent had been infringed. The court's judgment (A-13), embracing the jury's findings of fact, represents its legal conclusion as to validity, and should not be misinterpreted as a failure to adjudicate the validity of the patent in suit as a matter of law. The trial judge should not be required to specifically denominate his conclusion as being one of law where it wholly adopts the factual conclusions of the jury and would be no more than a *pro forma* act, a result Petitioner's argument would compel.

The Court of Appeals found no error in the division of tasks between judge and jury. It reasonably concluded that the trial court had made a determination of validity as a matter of law, and could have presumed that disputed matters of fact underlying the verdict of validity had been resolved favorably to the patentee. See *Panther Pumps & Equipment Co. v. Hydrocraft, Inc.,* 468 F.2d. 225, 228 (7th Cir. 1972), cert. denied 411 U.S. 965. We assert that no error was committed by either the trial court or the Court of Appeals in this regard. Furthermore, the actions of the trial judge below were in accord with accepted practice in the Tenth Circuit as set forth in *Eimco Corp. v. Peterson Filters and Engineering Co.,* 406 F.2d. 431 (1968), cert. denied 395 U.S. 963, and *Moore v. Shultz,* 491 F.2d. 294 (10th Cir. 1974), cert. denied 419 U.S. 930. As the Supreme Court has declined to

review either of these decisions, we respectfully submit it should decline to do so in this case as well.

3. The Award of Damages by the Jury for Infringement and Unfair Competition was Proper.

The Petitioner's claims of errors in the computation of damages represent mistaken interpretations of the pertinent law. In the cases cited by the Petitioner for the rule that damages must be apportioned between the patented and unpatented features of an article, *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885), and *Dobson v. Dornan*, 118 U.S. 10 (1886), the article in question was a carpet bearing a design. In the first of these cases, it was stated that apportionment was not required where the patentee could show that his damages related to the whole article because its entire value as a marketable item was attributable to the patented feature. 114 U.S., at 445. In the instant case, the design is one and the same with the article itself, unlike the design imprinted on the carpet, and apportionment is not a realistic alternative.

The Petitioner's reliance on *Rubber Co. v. Goodyear*, 76 U.S. 788 (1869), as a basis for its claim that the patentee's damages should have been measured by Petitioner's profits, computed as the difference between cost and yield, is misplaced. In the trial of that case, the court-appointed master had awarded as the patentee's damages the infringer's profits. The sole damages question on appeal was what method should be used to calculate that profit.

The present statutory basis for the award of damages in a patent infringement action, 35 U.S.C. §284, which differs from its predecessor, R.S. §4921, the statute upon which *Goodyear* was decided, mandates the recovery of compensatory damages, but not less than a reasonable royalty for the use of the patented feature. The

Supreme Court in *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.*, 377 U.S. 476 (1964), stated, in that portion of its opinion commanding the concurrence of four justices, that "damages" means compensation for the patentee's pecuniary loss, without regard to the profits or losses of the infringer. In each case, the question to be determined is what the patentee's pecuniary condition would have been but for the infringement. 377 U.S., at 507.

If, as Petitioner insists, a patentee's damages are to be restricted solely to the infringer's profits, potential infringers will be encouraged to seek illegitimate gains at the risk merely that such gains might be cancelled in a suit for infringement. The courts have not accepted this view. Rather, they have held infringers liable for those profits which in all reasonable probability the patentee himself would have made. *Livesay Window Co. v. Livesay Industries, Inc.*, 251 F.2d. 469 (5th Cir. 1958). At trial, the jury was instructed on the proper measure of damages (A-25). Their award, not clearly erroneous and bearing a direct relationship to the evidence offered by the defendants, was properly respected by the Court of Appeals on review.

We disagree with Petitioner's contention that the damages awarded were speculative. To be sure, the defendants' potential losses were not certain, but evidence from which the jury might reasonably estimate such losses was presented, and was found sufficient by the Court of Appeals (A-5).

CONCLUSION

For the foregoing reasons, we respectfully submit that the decision of the Tenth Circuit Court of Appeals in affirming the District Court is correct as a matter of law and that in neither proceeding has any question been presented which merits review by the Supreme Court. The petition for a writ of certiorari should therefore be denied.

Respectfully submitted,

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